



Waterford Institute of Technology
INSTITIÚID TEICNEOLAÍOCHTA PHORT LÁIRGE

WATERFORD INSTITUTE OF TECHNOLOGY

Expenditure incurred by the Office of the President

Report to Higher Education Authority

Overview and Context

This report has been prepared in response to a request from the Chief Executive of the Higher Education Authority, Mr. Tom Boland, dated 17th May, 2011. Recent media reports relate to information provided by the Institute as part of its response to a Freedom of Information request, submitted by the Secretary of the Teachers Union of Ireland, local Branch, on the 4th March, 2011. The request, inter-alia, sought the following information: A complete and itemised list, in electronic format, of the non-pay, recurrent and capital expenditure charged and incurred under the cost centre of the office of the President from 2004 to date. The reason for seeking information from 2004 was due to the fact that the Institute's current financial system was installed then and to retrieve information going back further would have been quite difficult and time consuming.

A Governing Body sub-committee subsequently requested the Chairman to commission an independent review of non-pay recurrent expenses incurred by the office of the President – between January, 2004, and March, 2011. The Chairman commissioned the accountancy firm, Deloitte, to carry out this review. Deloitte submitted a draft report to the Chairman on Friday, 6th May, 2011. The HEA has already been furnished with a copy of that draft report. Deloitte was, due to very demanding time constraints, unable to review all expenditure in the office of the President. However, Deloitte established that there were a number of instances of non-compliance with Institute policies and procedures. Notwithstanding these breaches of policies and procedures, overall controls at the Institute were sound, as evidenced by annual C&AG management letters and Internal Audit reports.

The Institute is fully committed to addressing all issues identified by Deloitte report in an open and transparent manner; it intends getting to the root causes of why policies and procedures were breached and to ensure that all recommendations are fully implemented. We can confirm our commitment to taking whatever corrective actions as are required to ensure that instances of non-compliance will not recur.

Budgetary Process

The Institute has operated a devolved budgetary process for the last number of years. The overall non-pay budget is approved by the Institute's Governing Body annually, as part of the Programmes and Budget approval process. Subsequently, proposals for the allocation of non-

pay recurrent expenditure are agreed by the Executive Board. The Finance Department allocates budgets, based on this agreement. Such budgets have historically been influenced by the previous year's expenditure levels. However, in 2009, it was agreed to relook at the budget allocation model in the light of the new Recurrent Grant Allocation Model and in the context of specific guidelines issued by the HEA to reduce certain categories of costs e.g., Hospitality, Consultancy, Advertising etc. by up to 50%. All Executive Board members were advised of this requirement. In devolving budgets, budget holders have a certain amount of discretion to assign budgets to spend categories; however, there is an overall control checking mechanism in place, within the financial system, to ensure that budget holders can not exceed the overall budget.

The Institute has developed a number of financial-related policies, over the past ten years specifically in relation to Travel, Hospitality, Corporate WITCard, use of Credit Card, Procurement etc., all designed to ensure that budget holders are aware of their responsibilities in relation to all budgetary issues.

Expenditure incurred in the office of the President between 2004 and 2011

Before responding to the request for a detailed report in respect of all expenditure undertaken in the office of the President it is important to distinguish between expenditure which was incurred on behalf of the Institute e.g. Public Relations/Marketing, Fine Art, membership of Corporate Bodies including Institutes of Technology Ireland, IBEC etc., and that which relates more specifically to the office of the President e.g. travel and related, hospitality, taxis, certain consultancy costs etc.

The Deloitte report summarises expenditure along the following:

Corporate Subscriptions/Membership	€922,081
Publicity	€586,214
Professional Fees – General Consultancy	€538,406
Hospitality Expenses	€290,814
Travel	€263,379
Advertising – General	€187,021
Printing	€148,907
Courier and Taxi Costs	€139,977
Fine Art	€134,009
Books	€29,717
Miscellaneous	€172,683
Total Expenditure reviewed	€3,413,208
Other Expenditure not reviewed	€279,201
Total Expenditure	€3,692,409 **

** This figure does not include monies received from the Institute's banking franchise, in the sum of €3m. (€750,000 per year covering four years) which were transferred to WIT Diverse Campus Services Ltd., whose mission is, inter-alia, to provide student services and facilities on campus. The President's cost centre was used to facilitate this transfer. Some media

reports misleadingly implied that the €3m. formed part of the expenditure of the office of the President.

Response to specific questions raised as to whether:

i) Any of the expenditure was for purposes other than that of the Institute

At no stage has Deloitte or the Governing Body suggested that any expenditure incurred in the President's office was for purposes other than that of the Institute.

Deloitte, in section 2.7 of its draft report, identified significant expenditure which the then President explained was for the cultural benefit of the Institute and its stakeholders and/or supporting the University initiative. The draft report suggests that the Governing Body should examine the expenditure's appropriateness. In this regard, certain Other Expenditure was not reviewed, as part of the Deloitte review, due to very demanding time constraints. The Deloitte draft report has identified examples of non-compliance. The review has not been in a position to identify the extent of this.

ii) Any of the expenditure fell outside normal processes for expenditure control, including tendering etc.

Based on findings contained in the Deloitte draft report the then President has acknowledged that certain expenditure did not comply with relevant policies. This is specifically identified in relation to Hospitality and Travel policies. The Deloitte draft report also acknowledged that "... no tendering process was undertaken in relation to the services ..." of a specific Public Relations supplier. The Institute tendered for PR services and, based on a detailed evaluation, appointed a preferred supplier. While the then President was made aware of this decision he continued to use another supplier as well.

iii) If any such expenditure did occur, how the system of financial control and review within WIT allowed any such expenditure to occur.

The then President was fully conversant with Institute financial policies; these were reviewed and approved by the Executive Board, which he chaired. It was clear from his actions that he deemed it appropriate to over-ride certain policies and procedures.

iv) The specific controls in place in respect of expenditure incurred by the office of the President

In general, the system of internal control worked effectively across the Institute. As stated previously, overall controls were sound. However, the then President, as Chief Officer, operated the office of the President on a basis of almost full autonomy. Clearly, this is inappropriate for a modern institution.

v) Any appropriate measures being taken to improve systems of internal control

As part of the scope of the Deloitte review it has agreed to "provide the Governing Body with any additional comments in relation to possible improvements in procedures around such expenditure". The Chairman has requested that this be done as a matter of urgency with a view to ensuring that appropriate controls are fully implemented.

vi) Any other actions that the Governing Body proposes to take in respect of this matter.

Deloitte has recommended significant improvements in procedures to address a number of issues identified above.

These include:

1. Budgeting

- 1.1. The Office of the President's budget is to be pre-approved, and provided to that office in a timely manner. The budget should be divided across the various expenditure sections (such as hospitality, travel, marketing etc).
- 1.2. The budget should be pre-approved by the Chair of the Governing Body and the Chair of the Finance Committee. The key aim of this process should be to ensure compliance with relevant policies and procedures and to ensure value for money is achieved across the Institute.
- 1.3. Should problems arise during the pre-approval process the Governing Body will be advised.
- 1.4. In order for the Office of the President to plan expenditure, a provisional budget should be approved at the beginning of the calendar year and finalised within a reasonably short timeframe, (assuming that overall budget parameters have been set by the HEA).

2. Ongoing review process

- 2.1. A regular/quarterly report (as provided by the Finance office) should be reviewed by both the Chair of the Governing Body and the Chair of the Finance Committee. Any variances between the budget and actual should be explained in detail in order for them to complete their review.
- 2.2. Both Chairs shall update the Governing Body, from time to time. As part of this update the Board may be provided with a detailed analysis of variances to budget or expenditure items which may be considered significant.

3. Policies

3.1 The following policies are in operation at the Institute:

- Hospitality policy (January 2007);
- Corporate credit card policy (February 2007);
- Corporate WIT Card proposal and letters to staff (February 2005);
- Travel policy and related procedures (May 2008); and

- Procedures for procurement of services and supplies (2011).

3.2. The Chair of the Governing Body and the Chair of the Finance Committee should be aware of the detail of the above policies. A summary of the key elements should be prepared for them to enable them to monitor compliance.

3.3. Expenses for travel, hospitality, corporate credit card (or billed directly by the supplier) should not be reimbursed without documented approval by either Chair. In the case of foreign travel, pre-approval is required, and again there should be documented pre-approval by either Chair. The documents as submitted by the Office of the President for approval should be in the form and contain the detail required as outlined in the policy documents.

3.4. WITcard(s) should not be topped up without having sufficient detail on how the previous money topped up has been spent, if deemed material by both Chairs. The statements provided by the WIT office to the Finance Department do not currently contain sufficient detail to monitor that the expenditure is in line with the above policy documents. The required detail needs to be provided to the Finance Department at regular intervals in order for them to monitor that the expenditure is in line with the policies of the Institute and should form part of both Chairs review of expenditure.

Overall controls in place in the approval of expenditure

A devolved budgetary system operates within the Institute whereby budget holders are assigned a specific non-pay-recurrent budget for their areas of responsibility. As part of the budgetary process all budget holders are made fully aware of relevant policies and procedures underpinning non-pay expenditure. These are referred to in section 3 above. The financial system prevents budget holders from exceeding their budget allocation. In such cases the budget holder will make an application for a supplementary budget to the Finance office. Based on an evaluation the Finance Manager, following discussions with the Secretary/Financial Controller, may or may not approve the request.

In the case of the then President, he was allocated a specific budget. During the course of each year, his office would request that a further supplementary budget be provided to meet critical needs. In such instances a list of additional invoices/commitments would be provided to the Finance office. Despite expressing disquiet to staff in the President's office, the Finance office made additional funds available to meet legitimate expenses.

In conclusion, the Institute is fully committed to addressing all issues identified in the Deloitte report. We can confirm our commitment to taking whatever corrective actions that are required to ensure that instances of non-compliance will not recur.

3rd June, 2011

